Supreme Court, U.S.
FILED
DEC 18 1989
JOSEPH F. SPANIOL, JR.
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(9)

No. 88-2102

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1988

JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR, both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED J. HITCHCOCK, MCA, INC. and UNIVERSAL FILM EXCHANGES, INC.

Petitioners,

v.

SHELDON ABEND, dba AUTHORS RESEARCH COMPANY

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF OF THE COMMITTE FOR LITERARY PROPERTY STUDIES, AS AMICUS CURIAE, IN SUPPORT OF THE RESPONDENT

IRWIN KARP
(Counsel of Record)
40 Woodland Drive
Port Chester, N.Y. 10573
914-939-5386
Attorney for Amicus Curiae

Barbara Ringer, Esq.
Herbert Jacoby, Esq.
Of Counsel

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INTEREST OF AMICUS CURIAE

This brief is filed with the consent of the parties.

The Committee for Literary Property Studies ("Committee") is concerned with the protection of authors' rights. Its

activities include the analysis of copyright problems, recommendation of solutions, and filing of amicus curiae briefs on basic issue affecting protection of authors' rights under the Copyright Act, such as the one this appeal raises.

The Committee consists of authors John Hersey, Justin Kaplan and Frank Gilroy, former Register of Copyrights Barbara Ringer, law professors Robert Drinan and John Kernochan, literary agents Georges Borchardt and Perry Knowlton and copyright attorneys Harriet Pilpel and Irwin Karp.

This appeal has grave consequences for heirs of authors of books, plays and stories adapted as motion pictures. The Committee believes its discussion of those consequences may be of use to the Court, and therefore submits this brief.

INTRODUCTORY STATEMENT

This appeal involves motion pictures prepared as derivative works from books, short stories or other "underlying works", copyrighted prior to 1978, that were still in their first term of copyright when the authors signed agreements granting rights (including a grant for the renewal term) to make the film versions. Here, the underlying work is Cornell Woolrich's story REAR WINDOW, the derivative film version is Alfred Hitchcock's REAR WINDOW.

The primary issue is whether copyrights in such underlying works are infringed by uses of the derivative films during the renewal term of those copyrights, if the authors died before the year when their copyrights could be renewed. The Ninth and Second Circuits have given conflicting answers.

The Ninth Circuit, in the decision

appealed from, held that under section 24 of the 1909 Copyright Act (now section 304(a)) such underlying copyrights were infringed by continued uses of the derivative films without consent of the renewal-term owners of the underlying copyrights. Abend v. MCA, Inc. 863 F.2d 1645 (1989).

The Second Circuit earlier held that under section 7 of the 1909 Act (now section 103), such continued uses of the derivative films do not infringe copyrights in the underlying works, even though section 24 provides that authors' prospective grants of motion picture rights for the future renewal term are not effective unless the authors live to the year in which those copyrights can be renewed. Rohauer v. Killiam Shows, Inc., 551 F.2d 484 (2d Cir. 1977), cert. denied, 431 U.S. 949 (1977)

SUMMARY OF ARGUMENT

(i) Applying Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1960), the court below correctly held the purported grant of motion picture rights for the renewal term of copyright in Woolrich's story was ineffective because he did not live to the year when it had to be renewed, and that under section 24 his executor secured the renewal term of the copyright free and clear of the purported assignment. Consequently, continued theater, TV, cable and video cassette uses of the film infringed the story's copyright during its renewal term.

We submit that prior decisions relied on by the Ninth Circuit support its rejection of Rohauer's "new property" theory. It is well established that the copyright in a derivative-work motion picture, under

section 7, only protects the contributions of the film's creator, and not material from the underlying work.

The decision below effectively refuted the Second Circuit's widely-criticized theory that even though an author did not live to the renewal period of the copyright in his/her underlying book or story, a contract provision for the grant of those rights (which never took effect, since he did not live to secure them by renewal) was nonetheless "consent" that allows owners of the derivative film to continue using material from the underlying story or book without consent of the author's spouse, children, or executor, to whom section 24 granted the renewal term of the copyright in them, as a separate property, clear of any agreecents made by the author before the renewal term. As the court below demonstrates, a grant clause for the renewal rights that never

took effect because of section 24 is no more a "consent" that allows the derivative-works use in the renewal term than no grant for the renewal term, or than a grant of rights to make and use a derivative work for 10 years of the first term.

The decision below properly rejected the defense of fair use. Concededly, a very substantial portion of the Woolrich story was used in the film for commerical purposes. And aside from the potential adverse market effect on the underlying work, the film has generated very substantial profits attributable in part to its incorporation of substantial amounts of material from the Woolrich story.

This brief does not argue these points any further, since we believe that the Ninth Circuit's thorough and compelling analysis, the Respondent's brief, and Professor Nimmer's incisive critique of

Rohauer (1 NIMMER ON COPYRIGHT (1989) § 3.07[A], at 3-23 to 3-32) clearly establish that the Ninth Circuit correctly interpreted and applied sections 24 and 7 of the Copyright Act.

(ii) We also submit that the Ninth Circuit ruling, which confirms the prevailing view for 40 years before Rohauer, serves the Congressional purpose of the 1090 Act's renewal section, and produces far more equitable results than the Second Circuit's Rohauer ruling. Our brief addresses this points.

ARGUMENT

THE EFFECTS AND EQUITABLE CONSEQUENCES OF THE NINTH AND SECOND CIRCUIT RULINGS

The Second Circuit ruling reflected that panel's concern for the effect on motion picture companies when section 24 precluded effective grants of renewal-term

motion picture rights in underlying works whose authors died too soon. But such a concern -- as this Court said in Miller Music -- is a matter for Congress", and not for a judicial amendment of sections 24 and 7.

In our view, the decision below, by following rather than ignoring Miller Music, is far less unjust to film companies than Rohauer is to authors, and it comports with section 24's purpose while Rohauer defeats the purpose.

A. The "Second Chance" Objective of Section 24

i. Margaret Mitchell died, after an automobile accident, on August 16, 1949, long before the year for renewal of her copyright in her novel GONE WITH THE WIND ("GWTW"). Under section 24, her brother, Stephens Mitchell and The Trust Company of Georgia, as co-executors of her will secured the renewal copyright in GWTW, in

July 1963. CATALOG OF COPYRIGTH ENTRIES, 3ad Series, Vol. 12, Part 1, No.2 [Books, etc.], pp. 2209

Because of section 24, and Miller Music, "until a new agreement providing for substantial compensation was made with those beneficiaries entitled to the renewal rights (in the novel), the motion picture "GONE WITH THE WIND" was not exhibited in this country after end of the first term of copyright." Benjamin Melniker and Harvey D. Melniker, "Termination of Transfers and Licenses", XXII New York Law School Law Review (1977) 589, 617 ["the Melniker Article".] Benjamin Melniker had been Vice President, General Counsel and Executive Vice President of Metro Goldwyn Mayer, Inc ("MGM"), the distributor of the motion picture version of GONE WITH THE WIND.

Had the Second Circuit ruling been law in 1963, MGM would not have been

obliged to pay the novel's renewal copyright owners a cent more than the $50,000 the contract provided for Margaret Mitchell's grant of motion picture rights. But, as the Melniker Article makes plain, the "prevailing view" at that time (and until Rohauer) was that Section 24 meant what the Ninth Circuit opinion said it meant. That view, said the article, was: "a derivative work could not be utilized in a renewal term where the author had died during the original term (whether or not the underlying grant showed an intertion to include the renwal term) " (Melniker, n. 117, at 612) .

When Stephens Mitchell renewed the GWTW copyright and when petitioners here acquired motion picture rights in the Woolrich short story, the "prevailing view" was that if Margaret Mitchell, or Woolrich, or any author died in the first

term of their copyright, "derivative works, such as ... a motion picture based on a novel or play, even in cases where renewal rights were in the original grant, could not longer be utilized or shown or exploited during the renewal term." (ibid, at 616.)

The "prevailing view" before Rohauer thus implemented the Congressional purpose in retaining the two-term renewal section in the 1909 Act -- to give authors a "second chance" to benefit from their works, whose future value and success commonly were not known or forseeable when they assigned their rights. The House Report on the 1909 Act said that Congress decided not to replace the renewal system with a life-plus-50 year term because the renewal period was an "advantage" for authors, who frequently sold their copyrights outright "for a comparatively small sum", if the work "proves to be a great

success and lives beyond the (first) term of twenty-eight years." In that event, the House Report said, the author should have the exclusive right "to take the renewal term " and the law "should be framed so he could not be deprived of that right." (House Report No. 2222, 60th Congress, 2d Session.)

As we noted, had the Second Circuit rule applied in 1963, Margaret Mitchell's brother and other heirs would not have been entitled to any compensation during the renewal term for motion picture uses of her novel in theatrical exhibitions, television and cable broadcasts, and videocassettes -- although the derivative film had yielded enormous revenue from both the traditional and new markets. The "prevailing view" of Sec. 24 in 1965 gave Margaret Mitchell's heirs the "second chance" Congress intended them to have

under Sec. 24. As the Melniker article reports, the agreement made with them for continued use of the film during the novel's renewal term provided "substantial consideration" they would not have had under the Second Circuit rule.

ii. The "second chance" which the Ninth Circuit rule gives primarily benefits authors' surviving spouses and children, or: their parents, siblings, nephews, nieces, or other close relatives when renewal is made by their executors. E.g., Miller Music, supra. The interpretation of section 24 the Court adopts here will either give or deny section 24's "second chance" to these usual beneficiaries of the section.

B. Authors Cannot Bargain for the "Second Chance."

When granting motion picture rights in books and plays, few authors were able to limit their grant to the original

copyright term. Most were obliged to also include their prospective renewal rights, as Woolrich did (Melnicker Article, at 606, 613.) The Register of Copyright's 1961 Report on THE GENERAL REVISION OF THE U.S. COPRYIGHT LAW noted that "It has become a common practice for publishers and others to take advance assignments of future renewal rights", at 53. (The Second Circuit ignored this reality when it said, in Rohauer, that authors can limit a derivative-works consent to the first term of their copyrights by inserting that limitation in the contract. They cannot. The purpose of section 24 was to impose that limitation for them, when the author did not live to renew, as Miller Music makes plain.)

Television existed when Woolrich assigned his motion picture rights in 1945, but its potential as a lucrative

film market could not have been foreseen by him, nor by Margaret Mitchell in 1936, nor by Dashiell Hammett in 1930 when he sold the motion picture rights for the MALTESE FALCON for $8,500. None of them could have forseen the windfall profits the film versions of their works would someday earn on television, nor could they foresee the enormous profits film companies would derive from cable-tv, videocassettes, and colorized versions. Thus Woolrich, when he sold motion picture rights to 6 stories (including his REAR WINDOW) in 1945, for $9,250, certainly could not calculate the price with an eye to the $12 million the film REAR WINDOW would earn, in a re-release 23 years after it was produced, from a variety of then non-existent markets including cable-tv and video cassettes (App. 5).

But according to Miller Music,

Section 24 does give authors' families and their heirs, when they secure the renewal term, the second chance to negotiate new agreements that allow them to be compensated for the continued use of the authors' works in films that benefit from markets and sources of income that could not be anticipated when the authors' prospectively granted away their future renewal rights decades before.

C. The Motion Picture Industry Accepted and Lived With The "Prevailing View" For 40 Years

1. The Views of Industry Attorneys

Renewals of copyrights secured under the 1909 Act began in 1937. From then until the 1977 Rohauer decision, the motion picture industry accepted and lived with the "prevailing view", applied in the decision below, that a motion picture company had to obtain permission to con-

tinue exhibiting a film derived from an underlying work during the work's renewal term of copyright, if the author did not live until the renewal year. Industry attorneys clearly stated that the "prevailing view' was required under section 24. The Melniker article's statements to this effect, as noted, speak from its co-author's long experience as general counsel and vice president of MGM, an industry giant in those years; and speaks after the Rohaur decision.

Other movie industry attorneys long agreed that Section 24 means what the Ninth Circuit now has held it means. There is, for example, the 1955 article by Seymour Bricker, Studio Attorney for Universal Pictures Company (aided by its Chief Studio Counsel, Joseph Dubin): RENEWAL AND EXTENSION OF COPRYIGHT, 29 Southern California Law Review 23. In it,

Mr. Bricker said:

(i) The renewal copyright "grants a new estate, clear of all licenses granted under the original copyright (citations ommitted.)" 27-8.

(ii) When a film company buys rights in a novel, it can copyright the motion picture; but if the author dies before the renewal period of his novel's copyright, "the widow and children may renew that copyright and thus deprive the company of any right to release the photoplay during the renewal term of the basic work", at 43.

(iii) Authors frequently assign their copyrights for sums unrelated to the true value of their works should they prove successful. The renewal term "is the law's second chance to the author and his family to profit from his mental labors (citations omitted)", at 27.

2. Movie Industry Practices Confirmed the Prevailing View

From 1937 to 1977, motion picture companies complied with the prevailing view (as stated by leading industry attorneys, supra), and now confirmed by the Ninth Circuit's decision. When authors of underlying books, stories, etc. died before the renewal period of their copyrights, and although they had signed agreements to convey their renewal rights, motion picture companies made new agreements with the renewal owners of the underlying novels and plays, obtaining permission to continue showing countless motion pictures based upon such works.

The amicus curiae brief filed by United Artists Corporation in Rohauer v. Killiam said the company "expends large sums every year in paying for the right to continue exhibition of those motion pictures free of the uncertainty of any

claim, whether or not legally cognizable, which might be made where the motion pictures are based on underlying works in their renewal term." Obviously, other companies also paid for such permission from renewal copyright owners of underlying works.

Moreover, companies discontinued exhibition of such derivative motion pictures when they could not, or did not want to, buy permission from the renewal owners of underlying works.

The movie industry's brief on the petition for certiorari here suggests such new agreements and payments were made, prior to Rohauer, because of uncertainty as to the outcome of potential infringement suits by renewal owners of underlying copyrights. at. p 7.

It is more likely that the companies paid because they accepted and lived with

the prevailing view exemplified in the Melniker and Bricker articles. Motion picture companies were never reluctant to defend their rights under the Copyright Act in court. It is difficult to conceive that for 40 years, during which they paid innumerable renewal term owners of underlying works for new licenses (or ceased distributing many films derived from renewed underlying works), they had any real doubt that section 24 required them to do so where the author of the underlying work died before the renewal period for his copyright in his novel or play.

During the 40 years, if they had any doubt, some major studio could have brought a declaratory judgment action against a renewal owner of an underlying play or book to test the issue raised here. MGM could have brought such an action against the Margaret Mitchell estate. Petitioners could have defended

respondent's 1971 suit over a television broadcast of REAR WINDOW instead of settling it for $25,000. Or a declaratory judgment action could have been brought on a lesser film where the financial consequences of losing would have been minimal.

But prior to 1977 the motion picture industry never challenged the "prevailing view", plainly stated by company attorneys, and now confirmed by the Ninth Circuit. The challenge came in a suit between two industry "outsiders", Rohauer and Killam, based on a public television broadcast. If Rohauer had not sued Killiam, motion picture companies might still be negotiating licenses with renewal copyright owners of underlying works, to continue utilizing films based on them, when authors died before the renewal period of the underlying copyrights.

D. Effect of the Ninth Circuit Ruling On Motion Picture Companies

The Ninth Circuit's opinion will not apply to thousands of "original" motion pictures, i.e. those not based on underlying books, plays, etc. It will not apply to motion pictures based on public domain works. It will not apply to motion pictures based on underlying works created after 1977 (which have a single copyright term.) It will not apply to most motion pictures based on pre-1978 underlying works whose authors lived to the renewal year, since almost invariably motion picture rights were granted for the original and renewal terms, and the author's survival to the renewal year made the renewal grant effective. It will not apply to motions pictures based on pre-1978 works where the grant of motion picture rights was made during the renewal term of the copyright on the underlying

work. It will not apply to motion pictures based on pre-1978 underlying works which were protected by common law prior to 1978. It will not apply to pre-1978 underlying works whose copyrights terminated at the end of the first term because the author or other renewal claimants failed to renew them.

Actually the Ninth Circuit decision will apply to a comparatively small number of motion pictures based on underlying works.

And the Ninth Circuit's opinion will not result in the withdrawal of many of these from use in theaters, television, casssettes etc. As they did for 40 years, motion picture owners will negotiate licenses with widows, widowers, children, or executors of underlying works, when authors die prior to their copyright renewal periods. The Ninth Circuit's

holding that continued use of the film REAR WINDOW should not be enjoined will spur negotiation of these licenses.

It also should be noted that the Ninth Circuit's decision does not prevent motion picture companies from earning substantial income from derivative films when authors of underlying works predecease the renewal period, whether or nor the renewal term owners grant permission for continued use of the films in this country. The renewal clause does not terminate the author's grant of foreign motion picture rights, even if he dies before renewal. Section 24 only applies to grants of renewal rights under U.S. copyrights. Foreign rights subsist under the single-term foreign copyrights in the underlying book, stories, etc. of American authors.

American motion picture companies therefore can and do continue to exploit

derivative films like REAR WINDOW outside the United States without permission of the renewal copyright owners of the underlying work. This also creates another incentive for renewal term owners of underlying copyrights to negotiate mutually acceptable arrangements with the company that produced or controls the derivative film. Their refusal does not deprive film companies of substantial foreign income, it does deprive them of income from the film's continued use here.

Under the Ninth Circuit decision, renewal of copyrights in musical compositions or other incidental material used in a motion picture would not inhibit its continued exploitation if the author died before the renewal year. Licenses are easily obtained. Moreover, while it would be impossible to eliminate the elements of Woolrich's story from the film REAR WIN-

DOW, it is possible to change the sound track of a film to eliminate a song or add another one. And motion picture technology, which includes the capacity to colorize every frame of a black and white film, can edit out incidental underlying material when that is really necessary.

In any event, motion picture companies understood for 40 years, during which most films affected by the outcome of this appeal were produced, that the rights they acquired in underlying works were subject to the "prevailing view" now stated in the Ninth Circuit decision. If the Court affirms, they are no worse off, since they used the underlying material assuming that the consequences of copyright renewal for any material as to which the film was a derivative work were as stated in Miller Music: they took the assignment of the author's contingent renewal interest in the material subject to the possibility

that the contingency would not be realized, if the author died prior to the renewal period.

Their reliance on the Second Circuit decision in Rhohauer gives it no more credibility than did magazine publishers' or software producers' reliance on the Second Circuit's decision on works-made-for-hire in Aldon Accessories v. Spiegel,738 F.2d 548 (2d Cir. 1984). cf. CCNV c. Reid, 109 S.Ct. 2166 (June 5, 1989.)

E. Rohauer's Effect on Underlying Works and other Derivative Works

The Rohauer opinion reflected the court's feeling that fairness required its construction that section 7 created a new property right which allowed continued exhibition of the film despite renewal of the underlying work's copyright after its author's death.

That was fair, in the court's view,

since the film's producer (and its director, cast, an other employees) contributed more to the derivative film than did the material from the underlying work. That is often the case, but that does not justify the construction. Films are only one class of derivative works. Creators of many other types of derivative works make a much less important contribution than do the authors of the underlying work. And section 7 cannot be read one way for motion pictures and the opposite way for derivative works that profit primarily because they embody the underlying work,

An abridged version of a novel is a derivative work; but the abridger's contribution is minimal, the author's contribution is enormously greater. There are many other kinds of derivative works in which the underlying book, song, play

accounts for most of the derivative version's value. Annotated versions of a book; a modestly revised edition; simple arrangements of highly popular songs; an audiocassette of a reading by an actor, obscure or famous, of a widely acclaimed novel. It would be unfair to authors' heirs to allow continued use of these derivative works during the renewal copyright term secured by the heirs under section 24, without their permission.

Yet if the renewal consequence of Miller Music v. Daniels is precluded by the Second Circuit's construction of section 7, that will occur. As the Register's 1961 report, supra, stated, it was common practice for publishers and others to acquire advance assignments of prospective future renewal rights in their publishing contracts, which included provision entitling the publishers to prepare abridgements, translations and other

derivative works based on the underlying book.

CONCLUSION

It is respectfully submitted that the decision appealed from should be affirmed.

Respectfully Submitted
Irwin Karp
(Counsel of Record)
40 Woodland Drive
Port Chester, N.Y. 10573
(914-939-5386)
Attorney for Amicus Curiae,
Committee for Literary
Property Studies

Of Counsel:

Barbara Ringer, Esq.
Herbert Jacoby, Esq.

December 18, 1989